



OCJP Fiscal Training

2017

Allowable Costs

See Chapter XIV of Administrative Manual and Fund Source Chapters

- Consistent with organization policies and procedures
- Must be approved in the budget
- Must follow federal fund source guidelines
- Consistent treatment of similar costs
- Follow generally accepted accounting principles
- Ordinary and necessary for operation
- Document methodology
- Must be allowable, reasonable, and allocable

20% Rule

See Chapter XVII of the Administrative Manual

- Agencies can move money within approved budget lines utilizing the 20% Rule; does not require prior approval.
- Once a line is increased by 20%, it cannot be increased again.
- If a line does not already have funding (a zero dollar line) it cannot have money moved to it.
- Line-item changes include only items that are currently in the agency's approved budget.

20% Rule Example

Example: There is \$200 in the budget's travel line-item and you want to move more money into the travel line-item. The maximum amount that can be moved into the travel line-item is \$40 for the entire fiscal year ($\$200 \times 20\% = \40). A separate approved line-item(s) must be reduced by the corresponding \$40 and the reduced amount cannot exceed 20% of that line item.

NOTE: Do not change column A of the OCJP Invoice for Reimbursement Form.

Prior Approval

See Chapters XIV, XV, XVII of the Administrative Manual

The following budget items must be pre-approved **prior** to being implemented by the subrecipient:

1. Salary adjustments (including grant funded staff percentages and salary changes)
– Funds may not be moved into or out of the Salaries, Benefits & Taxes line without prior approval
2. Overtime
3. Staffing Changes – if a position is added or deleted from the budget
4. Capital Purchases
5. Depreciation – must include a depreciation schedule
6. Sensitive Minor Equipment – see Chapter X - Property and Equipment of the OCJP Administrative Manual for further details
7. Furniture
8. Clothing and/or Uniforms (Exception: Emergency clothing for victims/clients does not require prior approval.)
9. Meeting room/audio visual services
10. Indirect Costs – Funds may not be moved into or out of Indirect Costs without prior approval. The request must be accompanied by a copy of the agency's **approved** indirect cost rate or **approved** cost allocation plan which includes an indirect rate – should have approval letter from cognizant agency.

Budget Amendments

See Chapter XVIII of the Administrative Manual

- A budget amendment is necessary anytime the total *federal* funding amount of a grant/contract is increased or decreased and/or if movement of funds between budget line-items is greater than 20 % of the line-item amount. The subrecipient must secure **prior written approval** from OCJP for all contract budget amendments. The written request must be accompanied by amendment detail and summary budget pages and any related documentation supporting the change. Budget amendments will be considered on a case-by-case basis.

Unallowable Costs

See Chapter XIV & Fund Source Chapters of the Administrative Manual

- Construction
- Land Acquisition
- Supplanting
- Compensation and/or travel of federal employees
- Bonuses or Commissions
- Military Type Equipment
- Lobbying
- Fundraising
- Corporate Formation
- State and Local Taxes
- Certain Conference, Meeting, and Training Expenses

Unallowable Conference/Meeting/Training

1. Entertainment
2. Sports
3. Visas
4. Passport Charges
5. Tips
6. Bar Charges/Alcoholic Beverages
7. Laundry Charges
8. Lodging costs in excess of Federal per diem. For events of 30 or more participants that are funded with an OCJP award, if lodging costs exceed the Federal per diem, none of the lodging costs are allowable, effective January 1, 2001.
9. Food and beverage costs are rarely allowable.
10. Gifts/Trinkets/Memorabilia/Commemorative Items

Trinkets (items such as hats, mugs, portfolios, t-shirts, coins, gift bags, etc., regardless of whether they include the conference name or OJP/DOJ or OCJP logo) **must not** be purchased with DOJ or OCJP funds as giveaways for conferences. Basic supplies that are necessary for use during the conference (e.g., folders, name tags) may be purchased.

Other Unallowable Expenses

1. Legal fees
2. Cost in applying for this grant
3. Any expenses prior to the grant award date
4. First Class Travel
5. Management and administrative training
6. Sole source contracts (without the prior written approval from the Office of Criminal Justice Programs)
7. Depreciation or a use allowance on **idle** or **excess** facilities.
8. Cost incurred outside the project period. Any costs that are incurred either before the start of the project period or after the expiration of the project period are not allowable.
9. Severance packages (the compensation that an employer provides to an employee who has been laid off, whose job has been eliminated, who through mutual agreement has decided to leave the company, or who has parted ways with the company for other reasons).
10. Interest
11. Credit Card Fees
12. Membership fees to organizations whose primary activity is lobbying.

Audit Threshold

See Chapter V of the Administrative Manual

- Nongovernmental agencies who **expend** at least \$750,000 under a state contract which establishes a subrecipient relationship (which may include federal pass-through awards) during a year are required to have an audit (not just audited financial statements).
- Audit costs not performed in accordance with the appropriate OMB Circular, are unallowable. If the subrecipient expended Federal funds less than the amount required for an audit and still elected to contract with a certified public accountant to perform an audit; these costs **may not** be charged to the federal grant(s).
- If an agency meets the audit threshold and is required to have an audit, prorated audit costs would be considered an allowable cost. The total cost of the audit would need to be allocated across fund sources using a fair and equitable method.

Supplanting

See Chapter XV of the Administrative Manual

- Federal funds must be used to **supplement** existing State and local funds for program activities and must not supplant those funds that have been appropriated for the same purpose.
- Supplanting will be reviewed during the application process, post-award monitoring, and audit.
- If reviewers think that supplanting may have occurred, then the applicant or recipient will be required to supply documentation demonstrating that the reduction in non-Federal resources occurred for reasons other than the receipt or expected receipt of Federal funds.
- For certain programs, a written certification may be requested by the awarding agency or recipient agency stating that Federal funds will not be used to supplant State or local funds.

Supplanting Example

- **To help clarify the difference between supplementing and supplanting, we provide the following example:**
- State funds are appropriated to hire 50 new police officers, and Federal funds are awarded for hiring 60 new police officers. At the end of the year, the State has hired 60 new police officers, and the Federal funds have been exhausted. The State has not used its funds towards hiring new officers, but instead reduced its appropriation for that purpose and assigned or appropriated the funds to another purpose. In this case, the State has supplanted its appropriation with the Federal funds. If supplanting had not occurred, 110 new officers would have been hired using Federal funds for 60 officers and State funds for 50 officers.

Asset Seizures and Forfeitures

See Chapter IV of the Administrative Manual

- Program income from asset seizures and forfeitures is considered earned when the property has been adjudicated to the benefit of the plaintiff (i.e., law enforcement entity), and the seizure or forfeiture is directly generated or conducted as a result of the Federal award during the award period. Income received from the sale of seized and forfeited assets (personal or real property) or from seized and forfeited money must follow the “Addition Method” of handling program income unless an alternate method is designated in the recipient’s award document. The following policies apply to program income from asset seizures and forfeitures:

Asset Seizures and Forfeitures-continued

- Subrecipient program income, with the approval of the recipient, may be retained by the entity organization earning the program income or used by the recipient for any purpose that furthers the objectives of the legislation under which the award was made.
- States or local units of government *may use program income funds from seized and forfeiture assets as match* when assets are given a ruling by a State court, in accordance with the State law. In addition, State and local units of government *may use cash* received under the equitable sharing program for the non-Federal portion (match) of program costs, as provided for in the guidelines established by the DOJ Asset Forfeiture Office, when the assets are judged by a Federal court organization.

Match

See Chapter III of the Administrative Manual

- Match can be cash or in-kind
- Match is restricted to the same use of funds as allowed for the Federal funds. Match must be directly related to the project goals and objectives and must be documented in the same manner as grant funded activities.
- Match cannot be from another federal source and cannot be used to match another grant.
- Cash match is budgeted in the line in which it is expended – not in the in kind line. For example, if the cash match was used for supplies, it should be in that line; if it was used for specific assistance, it is budgeted in that line...and so on.
- Cash match must be documented and verifiable.

In Kind Match

- Examples: Donations of expendable equipment, supplies, space, value of time contributed by volunteers if the services they provide are an integral and necessary part of a funded project
- Cannot be counted as match until it is used in the project (for example, goods given to a client).
- Value placed on donated labor must be consistent with rate of compensation for similar work and must be documented in the same manner as paid staff (signed time sheets).
- Value placed on donated space must be consistent with fair market value and documented (at least 3 comps from Realtors - use average)
- Only space that is 100% donated will be considered for match purposes
- Document methodology for value placed on donated goods (Goodwill)

In Kind Match Test

- Agencies with in-kind match can only draw down in-kind in relation to direct expenses. In other words, you can not overmatch. For example, if your YTD direct expenses are at 85% of the amount budgeted and your in-kind is at 100%, then you have overmatched. Each reimbursement invoice has an “in-kind match test” above the signature line. If this number is negative, it means you have overmatched. This number cannot be negative on the final reimbursement invoice. It notes on the May invoice that the number cannot be negative the next month. Below is how this appears on the May reimbursement invoice:

In-Kind Expense Test:	(12,081.53)
<u>Number cannot be negative next month</u>	

- As you can see here, the number is negative so the agency has overmatched by \$12,081.53 and must bring that to zero on the June invoice or the State will reduce the June invoice by this amount.

Allocable Costs

See Chapter XIV of the Administrative Manual and 2 CFR 200

- Accordance with **relative benefit**
- Specific to **project**
- Benefits **multiple projects**
- Reasonable **distribution**

Cost Allocation

- Process to determine **total cost** of a project
- **Distribute** costs to a project

Total Cost

- Allowable **direct costs**; and
- Allocable **indirect costs**

Direct Costs

- Specific to a **project**
- Cannot be assigned to **other projects** such as salaries, travel that benefits a specific program, equipment

Indirect Costs

- Common or **joint benefit** to multiple projects
- **Costs remaining** after assigning direct costs
- **Cannot be allocated** if similar cost assigned to a project
- Must still follow allowable costs

Allocation Bases

- Employees
- Transactions
- Space/Square Footage
- Salaries and Wages

Examples of Indirect Costs

- **Depreciation** of buildings and equipment (Rent and fixed asset computers)
- **Operation and maintenance** facilities
(Utilities, service agreements, insurance)
- **Administrative salaries** and expenses
(Administrative and financial staff)
- **Legal services**

Indirect Cost Rate

- **Indirect Cost Rate (%)** =
$$\frac{\text{Total Indirect Costs (\$)}}{\text{Direct Cost Base (\$)}}$$

- **Indirect Costs are fixed**
 - Small Base = Large Rate
 - Large Base = Small Rate

- ❖ Agency must submit a cost allocation plan to their cognizant state agency for approval before indirect costs can be charged to OCJP grants.

Best Practices

- Use **consistent and reasonable** method
- Identify and **charge direct expenses** whenever possible
- Identify **primary cost drivers** of indirect cost (salary vs. space)
- Document **allocation methodology**
- Allocate **appropriate expenses**

Reporting Requirements

See Chapter VII of the	Administrative	Manual	
Report Required	Organization	Reporting Period	Date Due to OCJP
Reimbursement Invoice	All	Prior Month/Quarter	At least once quarterly.
Project Equipment Summary Report	All	July 1 – June 30	Submit online by July 31 st if equipment was purchased during the reporting period
Program Income Summary Report	Government & Educational Institutions	Quarter Ending: September 30 December 31 March 31 June 30	Submit online by: October 15 th January 15 th April 15 th July 15 th
Policy 03 Quarterly Expense & Revenue Report <i>Please include agency name in the email subject</i>	Non-Profits	Quarter Ending: September 30 December 31 March 31 June 30	Submit to OCJP.P3@tn.gov by: October 30 th January 30 th April 30 th July 30 th
Annual Fiscal Audit or Financial Report	Non-Profits	Agency fiscal year	Due 9 months after close of agency fiscal year

OCJP Fiscal Unit Contact Information

If you have questions, feel free to contact one of the fiscal staff listed below:

- Janet.Stewart@tn.gov or 615-741-9821
- Teresa.Sneed@tn.gov or 615-626-7495
- Jennifer.Hicks@tn.gov or 731-217-2975

Financial Management Training Certificate

This certifies that I have reviewed the Financial Management Training for the Office of Criminal Justice Programs

Date Completed

Signature